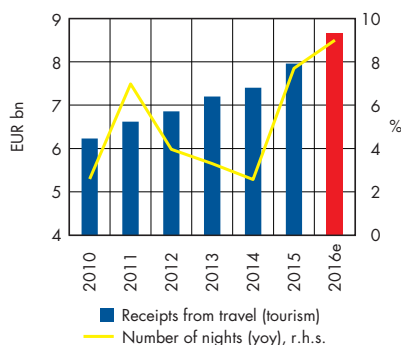


Record-high tourist season in 2016

Tourism indicators



Sources: CNB, CBS, Economic RESEARCH/RBA

As expected, the week behind us brought the December **tourism figures**, which strongly contributed to the record-high tourist season. According to the latest CBS's data, in 2016 total tourist arrivals and nights increased 8.7%yoy and 9.0%yoy respectively thus confirming the most favourable tourism results. Furthermore, based on subdued inflation and the expectation that this year also could bring another excellent tourist season, we anticipate that the positive multiplicative effect will continue the growth trend seen in 2016. Besides the beneficial effects on the labour market, disposable income and household consumption, tourism is expected to continue to generate investments that gained momentum also from the improved utilization of the EU funds. On the other side, the expected strengthening of the domestic demand, and the relatively strong growth in exports of services entail a stronger growth of import of goods. The latter intensifies the negative effects of net-foreign demand thus warning us of the persistently high import dependence. Meanwhile, the most recent **foreign trade** data showed that in the first eleven months of 2016 merchandise deficit deteriorated by 5.6%yoy.

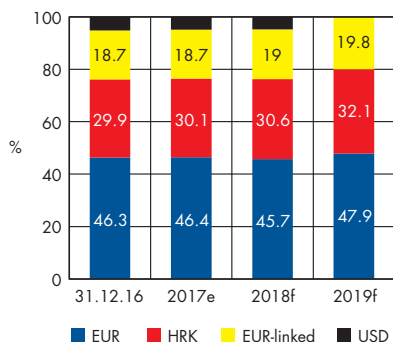
Foreign trade in the first 11 months



Sources: CBS, Economic RESEARCH/RBA

In terms of relevant upcoming data, this week's calendar is not very exciting: only the final retail trade data will be published today. The preliminary result for December, which positively surprised, is to be confirmed (+5.8%yoy), strongly supported by the prolonged tourist season, rising consumer optimism and increased holiday consumption. Finally, at the whole 2016 level, the average retail trade turnover could confirm accelerated growth at 4%.

Currency composition of budgetary debt



Sources: MF, Economic RESEARCH/RBA

Regarding the **bond market**, as expected, the new pure HRK bond papers (with maturity in 2022 and 2028) brought some more dynamic trading thus confirming the great investors' interest, which consequently reflected in rising bond prices. Lower yields are related strongly to the ample liquidity in the system, additionally supported by expansionary monetary measures of the central bank. In the week ahead, further dynamic trading, strongly influenced by new HRK bond issuance, is expected to continue. Meanwhile, the most recent data confirmed that public sector deleveraging is to continue, primarily driven by the above expected fiscal consolidation in 2016. Therefore, at the end of October total **public debt** declined to HRK 287.4bn (-0.6%mom, -0.3%yoy). Simultaneously, in the same observed period, **gross external debt** also stood at EUR 42.6bn (-9.9%yoy) thus confirming the declining trend on annual level for the 11th month in a row. The latter is primarily a consequence of domestic banks' deleveraging due to relatively cheaper domestic deposits, high liquidity and still subdued demand for loans. With the rising demand for HRK loans, borrowing abroad has decreased and this trend is expected to continue in 2017 as well.

As for the **FX market**, the week behind us brought some depreciation pressures on HRK thus the EUR/HRK climbed to 7.47 kuna per euro. We expect a slightly higher FCY demand by the corporate sector thus during the week ahead the EUR/HRK could turn upward within the range 7.46-7.49 kuna per euro.

Tomislava Ujević

Now contracts for Janaf, Viadukt and ĐĐ Grupa

Đuro Đaković Grupa (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Janaf (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Trading comment

The stock indices of the Zagreb Stock Exchange, CROBEX and CROBEX10 recorded a slight correction in a week behind while the regular equity turnover was a bit lower and amounted to HRK 17 million daily on average. The highest regular turnover over the week was recorded by shares of **Valamar Riviera** totalling HRK 1.5 million. Shares of **Optima Telekom** gained the most among the CROBEX members and CROBEXturist index was the top performer among sector indices of the ZSE, while transportation sector shares recorded the strongest decline. Regional equity indices posted mainly positive week performance.

Company news

For the 2017 Valamar Riviera is targeting total consolidated net operating revenue (Imperial excluded) of HRK 1.57 billion (+7% compared to 2016) or HRK 1.69 billion including Imperial (based on its interim business plan which will be reviewed in April). **Viadukt** was chosen to construct commercial building in Berlin and the value of the contract is EUR 7.3 million. **Đuro Đaković Grupa** contracted production of additional wagons for French company ATIR RAIL worth HRK 15 million. **Janaf** informed about new contracts as well. Namely, the contract signed with MOL on transportation and storage of oil in 2017 and a three-year storage contract with Glencore.

In this week

In addition to traditionally most traded shares on ZSE we expect investors' focus also on financial reports releases for 4Q 16.

Ana Turudić

Market performance

Index	1w %	ytd %	Value on*
10.2.2017			
WIG30 (PL)	3.95	11.65	2,505
NTX (SEE,CE,EE)	2.32	8.72	1,100
PX (CZ)	2.15	4.63	964
SBITOP (SI)	1.53	5.28	755
BELEX15 (RS)	0.79	-2.06	703
BUX (HU)	0.78	3.62	33,161
ATX (AT)	0.76	5.08	2,751
SOFIX (BG)	0.14	3.08	604
BETI (RO)	0.00	5.77	7,494
SASX10 (BH)	-0.11	-4.87	657
CROBEX (HR)	-0.33	8.43	2,163
MICEX (RU)	-2.70	-2.97	2,166

* as at 16:30 CET. Source: Bloomberg, Economic RESEARCH/RBA

Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
10.2.2017					
OT–Optima T.	21.88	4	Podravka	0.12	413
Arenaturist	8.41	580	Imperial	0.00	815
Ingra	5.35	5	Dalekovod	-0.72	17
AD Plastik	3.41	152	Atlantska Plov.	-0.91	327
Đuro Đaković Grupa	2.61	47	Varteks	-0.99	17
Luka Ploče	2.53	579	Kraš	-1.77	545
Ericsson NT	1.85	1,320	Belje	-2.70	22
Zagrebačka Banka	1.62	61	Uljanik Plovidba	-2.73	161
Luka Rijeka	1.59	49	Ledo	-2.97	9,800
HT	0.86	175	Končar EI	-3.03	800
Atlantic Grupa	0.81	942	Valamar Riviera	-3.63	41
Adris Grupa (P)	0.14	492	Tankerska NG	-4.53	76

* as at 16:30 CET. Source: ZSE, Economic RESEARCH/RBA

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Abbreviations

bp – basis points	HBOR – Croatian Bank for Reconstruction and Development	pp – percentage points
CERP – Restructuring and Sale Center		Q1, Q2, Q3, Q4 – quarters
DZS – Croatian Bureau of Statistics	HNB – Croatian National Bank	RBA – Raiffeisenbank Austria d.d.
ECB – European Central Bank	IMF – International Monetary Fund	USD – Dollar
EUR – Euro	kn, HRK – Kuna	yoy – year-on-year
FED – Federal Reserve System	MF – Ministry of Finance	
GDP – Gross Domestic Product		

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% of all recommendations	0%	86%	14%	0%	0%	0%
Investment banking services	0	1	0	0	0	0
% all IB services	0%	29%	0%	0%	0%	0%

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